

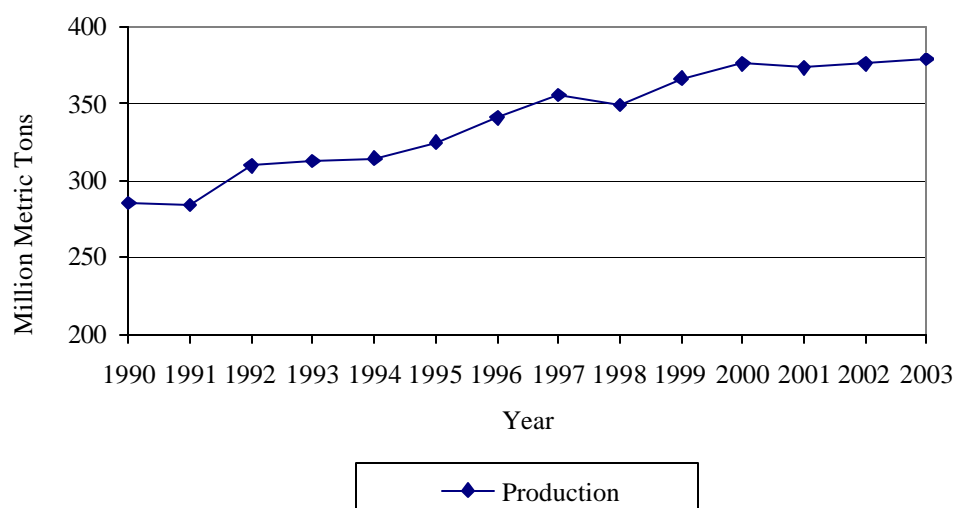
The World Fresh Fruit Market

This report outlines recent trends in world fruit production and highlights the top fresh fruit producers and traders. The United States is a key player in the global fresh fruit market, as it is the largest exporter and second largest importer of fresh fruit, second to only the European Union. This report will focus on the intensifying global competition that the United States faces, both in its most important export markets as well as on the world market level.

Production

World fruit production has been relatively steady over the past four years. In 2003 world fruit production reached 379.15 million metric tons, a 0.85 percent increase from 2002. The percentage increase in world production is only slightly higher than the 0.65 percent increase from 2001 to 2002. Before production leveled off in 2000, world fruit production grew at an average of 3.15 percent per year between 1995 and 2000, compared to an average growth rate of 0.86 percent per year for the period 2000 – 2003.

Figure 1: World Fruit Production, 1996-2003



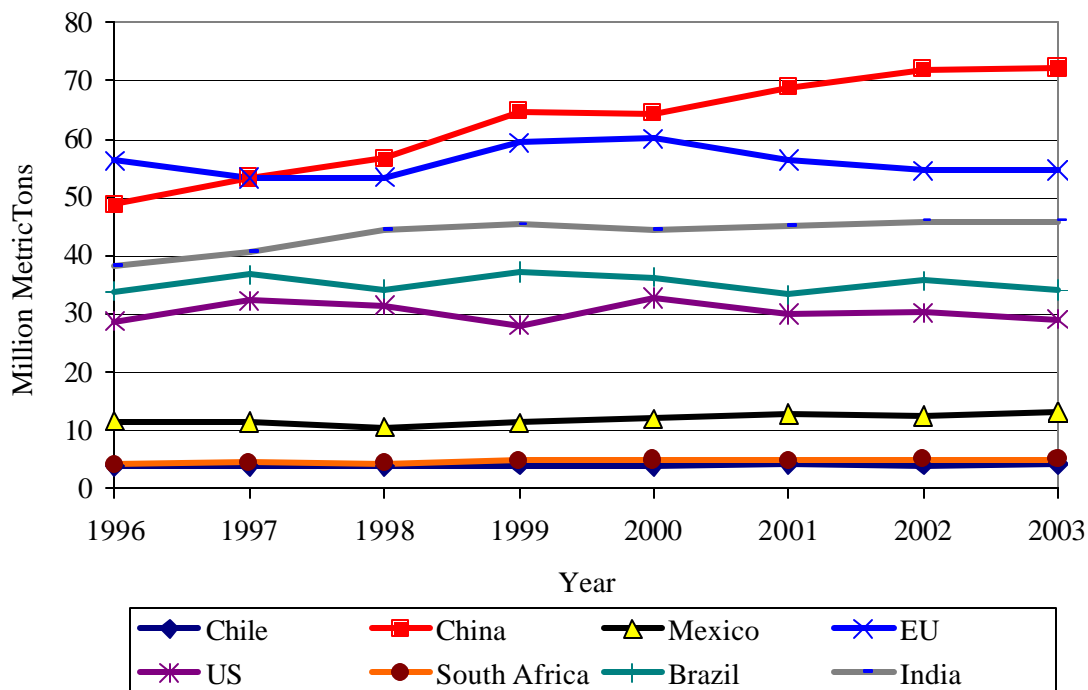
Source: FAOSTAT, 2004

Key Producers

Figure 2 identifies the largest fresh fruit producers. China is the world's largest fruit producer, producing 19 percent of the world's fruit in 2003. The European Union (EU) is the world's second largest producer, with 14 percent of the world's production. The third largest fruit producer is India, where 12 percent of the world's fruit was grown in 2003. As Figure 2 indicates, production is increasing in China at a much faster rate than in the other top producing countries. Production growth averaged almost 6 percent per year during the period 1996 – 2003 in China, while production growth in India averaged 2.73 percent per year. The EU experienced a lower annual growth rate of 0.89 percent during the 1996 – 2003 period.

Other key producers include Brazil, the United States, Mexico, Chile, and South Africa. Production in the United States and Brazil has been relatively constant over the period 1996 – 2003, with average annual growth rates of 0.61 percent in the United States and 0.34 percent in Brazil. Mexico, South Africa, and Chile have experienced slightly higher average annual production growth rates over the same period at 2.12 percent, 2.56 percent, and 1.3 percent, respectively.

Figure 2. Top Fruit Producers



Source: FAOSTAT, 2004

Fresh Fruit Trade

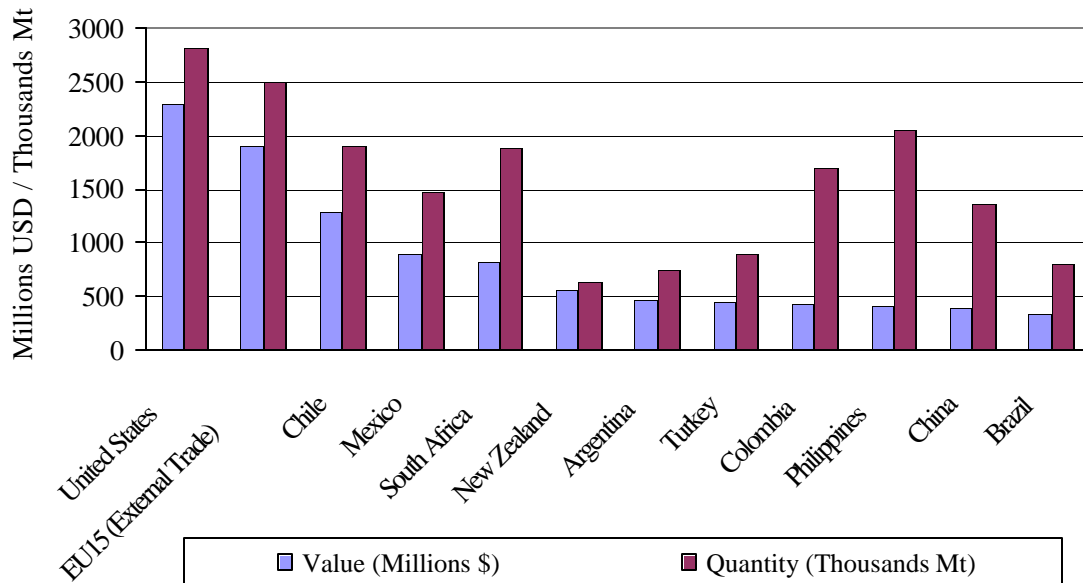
The total export value of fresh fruits from all exporters was greater than \$11 billion in 2003 and continues to grow rapidly. Fresh fruit exports have more than doubled in value since 1996 to reach the current value, and have increased in dollar terms by nearly 30 percent since 2000. In terms of quantity, exports have nearly doubled since 1996 and have increased 16 percent since 2000.

The export market is growing largely due to increased consumption demand and the development of technology to facilitate trade in fresh fruits. Consumption of fresh fruits is increasing in the United States as well as abroad and is expected to continue to increase. Demand for fresh fruits on a year-round basis is increasing, and consumers are willing to pay higher prices for out-of-season fresh fruit. The invention and adoption of new transportation and controlled atmosphere technologies allow fresh fruit to travel greater distances and still maintain its freshness. The increased demand and technology facilitate increased international trade in fresh fruit, providing consumers with greater choices of quality fresh fruit on a year-round basis.

The export market for fresh fruits is highly competitive among the top exporters. Gaining access to foreign markets is critical to countries that are large exporters. Free trade agreements are one means to provide increased market access and encourage increased exports. In addition to negotiating trade agreements, top exporters also use various export promotion and marketing techniques to increase their market share in foreign markets. Specific marketing and promotion techniques will be discussed on an individual country basis.

This analysis will first describe the fresh export market in the United States and identify the key export markets for U.S. fresh fruit. Also in this section, competition within those key markets will be identified and discussed. Second, the top global exporters will be identified and their level of competitiveness will be discussed with respect to specific export promotion techniques. Figure 3 displays the top exporters of fresh fruit, by value and quantity, in 2003. Figure 4 shows the market share that each of the top exporters held from 2001 through 2003. Figure 5 shows the percentage of domestic production that is for export, which implies the level of dependency of the domestic fruit sector on exports.

Figure 3. Key Fresh Fruit Exports, by Value and Quantity, 2003



Source: Global Trade Atlas and US Trade Data, 2004

United States

The United States is the fifth largest fruit producer and is the world's largest exporter of fresh fruit, in terms of value and quantity. The value of U.S. fresh fruit exports in 2003 was over \$2.2 billion amounting to nearly 3 million metric tons. These exports amount to more than 20 percent of the global export market value. The primary export products from the United States are grapes, oranges, and apples. The United States is the second largest exporter of grapes, and the largest exporter of oranges and apples. Over 9 percent of total fruit production in the United States is for fresh export.

For the past 10 years, U.S. fresh fruit exports have increased in terms of value, but have been relatively steady in terms of quantity. The increase in fruit exports from competitors is beginning to erode U.S. market share around the world. The U.S. share in the fresh fruit export market has been declining over the past several years, losing 3.2 percent in value and 2 percent in quantity of the export market since 2000. The section discussing other top exporters will highlight the competition.

The United States does not subsidize fruit production, but it does provide promotion and marketing assistance to trade groups and exporters. The United States promotes fresh fruit exports through the Market Access Program (MAP) and other programs. Through MAP, the Commodity Credit Corporation (CCC) provides funding to agricultural trade organizations, state regional groups, and cooperatives. The MAP allocations for 2004 provide over \$125 million in cost-share funding for overseas marketing and promotional activities. These activities include consumer promotions for retail products; seminars and workshops for educational purposes about biotechnology and food safety; and training and assistance to foreign processors and manufacturers. For additional information on export assistance, please refer to the following website: <http://www.fas.usda.gov/agexport/exporter.html>.

Key U.S. Fresh Fruit Export Markets

Canada, the largest market for U.S. fresh fruits, buys 47 percent of all U.S. fresh fruit exports. Japan is the second largest market, with 12 percent. Mexico, Hong Kong, the European Union, and South Korea are also large importers of U.S. fresh fruit. This section will provide an analysis of each of these U.S. markets and the competition that the United States faces in these markets.

Canada

Canada is the largest market for U.S. fresh fruit exports, particularly strawberries, grapes, and oranges. In 2003 the United States exported \$827 million in fresh fruit to Canada, which was a 10-percent increase from the previous year. The United States held a 51-percent share of the Canadian market in 2003, down from 53 percent the previous year.

Chile, Costa Rica, and Mexico are also substantial exporters of fresh fruit to Canada. Canada imported \$129 million of fresh fruits from Chile in 2003. The key products imported from Chile include grapes, apples, and peaches, which are also key imports from the United States. Imports from Chile increased by over 20 percent from 2002 to 2003. Chile is a southern hemisphere producer, and for the most part, the production cycles do not coincide with those in the United States.

Canada increased its imports from Costa Rica by more than 44 percent to \$129 million in 2003. The imports consist primarily of tropical fruits including bananas and pineapples as well as some other fruit products including melons, most of which are not competitive products with the United States.

Canada imported nearly \$100 million in fresh fruits from Mexico in 2003, which is a 35-percent increase from the previous year. The primary products originating in Mexico are grapes, avocados, and guavas. Mexico is competitive in Canada with the United States in grapes, lemons and limes, watermelons, strawberries, and other melons. Unlike Chile, Mexico is on a production cycle similar to that in the United States for many products. The increase in imports from Mexico could be a factor in explaining the U.S. loss of market share in Canada.

Japan

Japan is the second largest market for U.S. fresh fruit products, importing \$347 million worth in 2003. The primary exports to Japan, in value, are citrus including grapefruit, oranges, and lemons as well as some non-citrus, including cherries and melons. U.S. fresh fruit comprised over 33 percent of the fresh fruit import market in Japan in 2003. However, the U.S. share of the Japanese market has been continually decreasing in recent years, dropping 14.3 percent since 2000. In terms of value, U.S. fruit exports to Japan have decreased by over \$58 million since 2000, equivalent to an average annual decrease of \$19 million. Decreasing exports of grapefruit and cherries, the two primary export products, contribute to the overall decrease in fresh fruit exports to Japan. At the same time, total fresh fruit imports into Japan are increasing annually, with a \$51 million increase from 2002 to 2003.

Japan imports the largest amount of fresh fruit, for both quantity and value, from the Philippines. Fresh fruit imports from the Philippines are increasing annually and continue to gain market share in Japan. The products imported from the Philippines are primarily tropical products that the United States does not produce such as bananas, pineapples, guavas, and papayas.

New Zealand is another large exporter of fresh fruit to Japan. However, New Zealand is in the southern hemisphere so it is not on the same production cycle as the United States and also specializes in different products.

Japanese fresh fruit imports from Mexico are increasing rapidly. An increase of more than 43 percent from 2002 to 2003 brought imports from Mexico to \$92 million in 2003. The largest imports from Mexico are avocados, followed by citrus, including lemons, limes, and oranges. Mexico is gaining market share in the Japanese market, while at the same time the United States is losing market share. Mexican fresh fruit imports appear to be the largest and most direct competition for U.S. fresh fruits in Japan. Substantial increases in fresh fruit imports from South Africa, Australia, and especially Thailand have also occurred in recent years. However, these countries do not pose the direct competition that Mexico does in terms of products and production cycle.

Mexico

Mexico can be identified as a significant competitor in fresh fruits to the United States, but Mexico also imports over \$200 million annually in fresh fruit from the United States. The Mexican market is very important for apples, grapes, pears, and strawberries. Mexican imports of U.S. fresh fruits peaked in 2000 and have declined since. Although

some of the Mexican market share has been slipping away from the United States in recent years, the United States still maintains over 68 percent of the Mexican fresh fruit import market. Chile is the other primary supplier to Mexico, with 26 percent of the import market. Chilean fresh fruit exports continue to grow while U.S. exports decline. Again, Chile is an exporter to Mexico during the U.S. “off-season.” The United States does not face much direct competition from foreign suppliers other than Chile in the Mexican fresh fruit market, but does compete with local domestic products, since Mexico is a large producer and exporter of many fruits.

Hong Kong

The United States is the largest supplier of fresh fruit to Hong Kong, and held 32 percent of the Hong Kong fresh fruit import market in 2003. Total fresh fruit imports from the United States were valued at \$235 million in 2003. Fresh fruit imports into Hong Kong from the United States have risen steadily over the past several years. Hong Kong also imports fresh fruit from Thailand, Australia, and China. Thailand exports tropical fruits that the United States does not produce at all, or only on a very small scale. Australia exports some similar products as does the United States, but is in the southern hemisphere and on a different production cycle. Imports from Thailand, Australia, and China were all down in 2003. However, China primarily exports oranges, apples, and pears, which are competitive products with the United States. Fresh fruit imports from China have continued to increase annually and China has been increasing its share in the Hong Kong market.

The European Union (EU)

The EU is the largest importer of fresh fruits, importing \$7.3 billion (8.4 million metric tons) in 2003. Fresh fruit imports into the EU are increasing on an annual basis, with a 5-percent increase in quantity from 2002 to 2003.

The largest suppliers to the EU market are South Africa, Costa Rica, and several South American countries. The EU is also a large producer of fruits, and primarily imports from countries with marketing years that don’t coincide with their production season. The largest fruit import into the EU is bananas, which makes up 65 percent of imports.

The United States is not a large supplier relative to the size of the EU market, and only holds about 2-percent of the market share. In 2003, the United States exported \$153 million of fresh fruit to the EU. The EU is the United States’ fifth largest fresh fruit export market. Although value of exports to the EU increased from 2002 to 2003, the actual quantity shipped decreased by 9.7 percent. Fresh fruit exports from the United States to the EU have been trending downward since 1997.

South Korea

The United States is the largest exporter of fresh fruit to South Korea in value, but the Philippines is the largest supplier in quantity. In 2003, the United States exported \$92 million of fresh fruit to South Korea. The primary imports from the United States are citrus, including oranges, lemons and limes, and grapefruits. Grapes, kiwis, and cherries are also key products imported into South Korea from the United States. South Korea

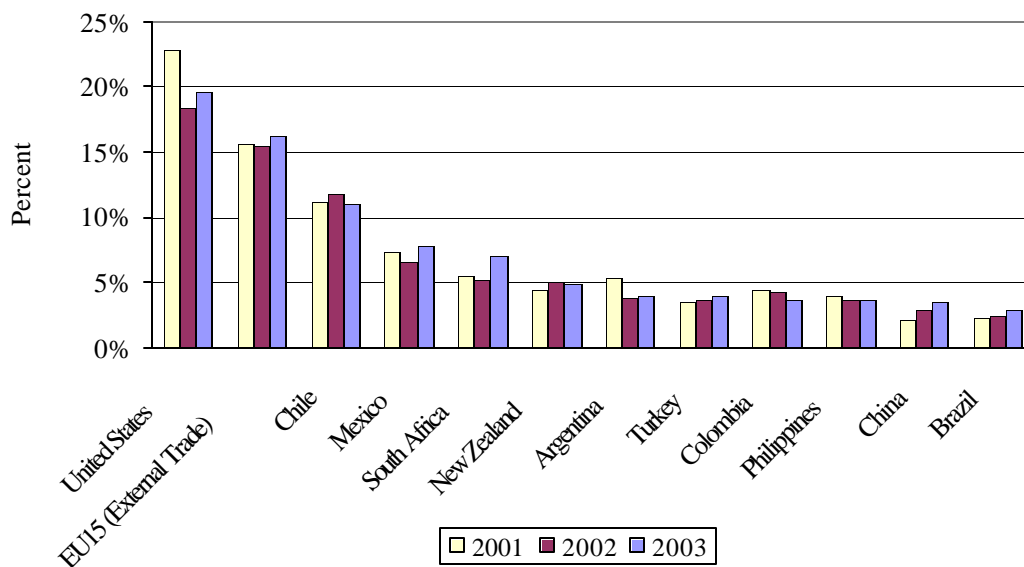
imports tropical products, including bananas, pineapples, and papayas from the Philippines, which are generally not competitive with U.S. products. In quantity, imports from the United States are increasing at a faster rate than are imports from the Philippines.

New Zealand is another large supplier of fresh fruits to the Korean market. South Korea imports many of the same products from the United States as it does from New Zealand, including kiwis, cherries, and citrus. However, New Zealand is in the southern hemisphere and on a different production cycle than the United States. Similarly, Chile has gained a large percentage share of the South Korean market in grapes and kiwis.

Global Export Competition

The U.S. share in the global fesh fruit export market has been decreasing in recent years. The focus of this section is to identify large producers and exporters and to determine which countries have been gaining market share. This section will discuss market trends in the exporting countries and discuss the marketing and promotional activities employed in those countries to gain market share.

Figure 4. Fresh Fruit Export Market Share, by value, 2001-2003



Source: Global Trade Atlas and US Trade Data, 2004

EU

Although the EU is not a major direct competitor in the largest U.S. markets, the EU is a significant producer and exporter of fresh fruit. The EU is the second largest exporter of fresh fruits, in value and quantity. EU fresh fruit exports in quantity terms have remained relatively constant. However, the value of EU exports has increased dramatically. In 2003, the EU exported \$1.9 billion in fresh fruits, up 20 percent from the previous year. This increase in value could be due to both increased fresh fruit prices as well as the euro appreciating relative to the dollar. The EU held about a 16-percent share of the world

fresh fruit export market by value, which is a slight increase over the previous year's 15 percent market share.

The primary export markets for the EU are surrounding European countries. The EU's largest markets in 2003 were Switzerland, Poland, and Norway. The EU has recently expanded its membership to include Poland as well nine other European countries. Russia is also a large market for EU exports of fresh fruit.

EU fresh fruit exports are comprised of citrus, including mandarins, oranges, lemons and limes, as well as grapes and apples. Aside from mandarins, the products that the EU exports are similar to those the United States exports. Also, the EU and the United States have similar production cycles. Although the EU focuses on different export markets than the United States, the EU is a direct competitor for U.S. exports.

The EU provides subsidies to fruit producers, as well as marketing and promotion assistance. All assistance is provided through producer organizations. The producer organization can qualify for subsidies to carry out activities aimed at supply and price management, marketing programs, quality improvement, and for promoting environmentally friendly methods. Subsidies are primarily in the form of either market intervention (withdrawal compensation) and export refunds. In 2001, withdrawal compensation subsidies authorized by the EU totaled 117 million euros (for fruits and vegetables). EU export refunds in 2001 for fresh fruits and vegetables equaled 36.1 million euros. Combined, the EU subsidized 153 million euros in 2001, in addition to assistance for marketing and promotional activities. In 2004, the EU approved five programs to receive EU assistance for marketing outside the EU. The EU will provide another 3 million euros to selected groups for marketing of fruits and wine in Switzerland, Japan, Russia, the United States, Canada, and Brazil. For more information on EU fruit and vegetable subsidies and marketing assistance please visit: <http://www.useu.be/agri/hortireps.html>.

Chile

Chile is the third largest exporter of fresh fruits, in value, exporting \$1.3 billion of fresh fruit in 2003. As shown in Figure 5, approximately 45 percent of total fruit production is for fresh export, indicating that Chilean fruit producers are very dependent on the export market. Chile's share in the global fresh fruit export market has been relatively steady at 11 percent over the past five years. In value and quantity, Chilean fruit exports have steadily increased over the same time period.

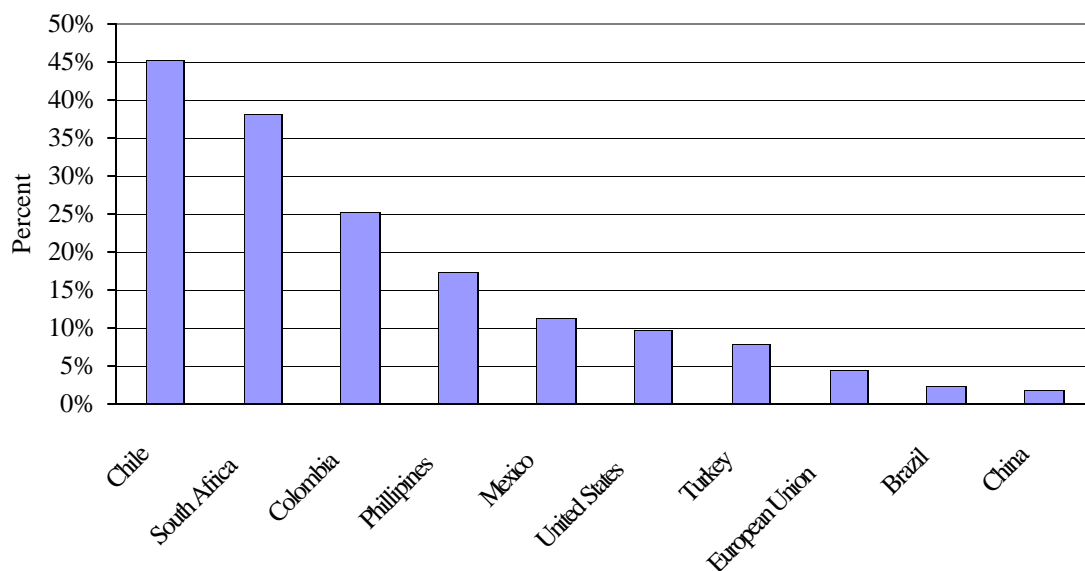
The United States is by far the largest importer of Chilean fresh fruit. Chile exported \$613 million to the United States in 2003. The second largest importer of Chilean fresh fruit is the European Union. Mexico is the third largest importer of fresh fruit from Chile. Chile's location in the southern hemisphere allows it to produce during the northern hemisphere's off-season, making it a key supplier of fresh fruit during the northern hemisphere's winter months.

Grapes are the primary export from Chile, valued at \$1.143 billion in 2003. Chile is actually the largest exporter of fresh grapes, followed by the United States. Apples are the second largest export, valued at \$262 million in 2003 followed by avocado exports, valued at \$176 million in 2003. Due to its marketing season, Chile is an indirect competitor with the United States in the fresh fruit market.

Chile actively promotes fresh fruit exports by providing funding for promotional and marketing strategies as well as technical assistance. The primary institution for marketing and export promotion is PROCHILE, which is the Chilean government's export promotion agency. PROCHILE provides export assistance through matching grants, technical assistance, overseas representation, and market information services. PROCHILE administers a \$10 million Export Promotion Fund, providing matching grants to assist development of new markets and promotion of all nontraditional agricultural products.

The Chilean Ministry of Agriculture (MOA) also provides monetary support to promote agricultural exports (PROCHILE is funded through the MOA). Additionally, the MOA provides policy and technical support to assist exporters. Chile has actively sought free trade agreements with trading partners such as the United States, European Union, MERCOSUR, Peru, Colombia, Venezuela, Bolivia, Panama, Mexico, and Canada. For more information on Chile and its export promotion activities, please visit: <http://www.chileinfo.com/inicio/home2.php>.

Figure 5. Percentage of Fresh Fruit Production for Export, 2003, by Quantity



Source: Global Trade Atlas and U.S. Trade Data, 2004

Mexico

Mexico is the fourth largest fresh fruit exporter by value, with over \$900 million in 2003. In quantity, Mexico is the world's seventh largest fresh fruit exporter, exporting 1.5 million metric tons in 2003. Since 1998, export value has increased annually, while

export quantity has remained relatively stable, indicating increased prices received for fresh fruit exports.

The United States is by far Mexico's largest market, with over \$800 million in annual sales to the United States alone. Approximately 88 percent of total fresh fruit exports from Mexico are shipped to the United States. The EU is the second largest market, followed by Canada. Mexico also exports fresh fruit to Japan and many Latin American countries. NAFTA alone makes up 95 percent of Mexico's fresh fruit exports. Although exports are increasing, Mexico does not hold significant market share in the EU or Japan.

Mexico is the world's largest exporter of avocados; in 2003, Mexico exported \$195 million of avocados, of which \$98 million were shipped to the United States. The remainder was shipped primarily to the EU, El Salvador, Canada, and Japan. Mexico's second largest export product is fresh grapes, again most of which are shipped to the United States. Mexico is also a large exporter of guavas, lemons and limes, as well as strawberries.

Mexico's fresh fruit export sector is becoming more competitive in the world market, particularly in the United States and Canada. The increase in fresh fruit exports has been aided by the numerous free trade agreements and economic cooperation accords Mexico participates in as well as through the export promotion programs supported by the Economic Ministry (ECONOMIA) and Mexico's foreign trade bank (BANCOMEXT).

ECONOMIA aids promotion of Mexican products through the Foreign Trade Directorate, with methods similar to those used by FAS to promote exports, including participation in foreign trade shows, coordination of exporter missions abroad, coordination for groups abroad, and organization of educational seminars. The Economic Ministry also houses the Foreign Trade Development Directorate, which supports programs for large exporters (ALTEX), temporary exporters (PITEX), and the Maquiladora Program. The combined budget for the two directorates within the Economic Ministry was \$12 million in 2001; 60 percent of the budget is for promotions in the EU; 25 percent is for promotion activities in the United States; and the remaining 15 percent is allocated for promotion activities in the rest of the world.

BANCOMEXT assists exporters primarily through participating in and encouraging participation in trade shows and business conventions. Incentives are provided to exporters that participate in trade shows, including 50-percent refunds on participation costs to both trade groups and private enterprises.

China

China is the largest producer of fruit, and production has been increasing for more than a decade. Fresh fruit exports from China have also been increasing since 1999, with more dramatic increases in recent years. Although exports increased by more than 30 percent in quantity (metric tons) from 2002 to 2003, only 2 percent of 2003 production was for export. Regardless, the rapidly increasing exports from China are also beginning to gain share in the global export market, while many other countries are losing market share.

China is a large exporter of apples, mandarins, and pears. Export value of these top three products has grown tremendously in recent years; from 2002 to 2003 apple exports jumped 40 percent, and exports of mandarins and pears increased by 27 and 34 percent, respectively.

Russia is the largest importer of Chinese fresh fruit. This indicates that China so far may be more of a direct competitor with the EU than with the United States. China's other primary markets are located in Southeast Asia. Hong Kong is one market that could place the United States and China in direct competition for market share, although Hong Kong is often a middle market rather than the final destination for many products. Japan imports surprisingly little fresh fruit from China. Canada actually imports more fresh fruit from China than does Japan.

Information on China's export promotion and marketing activities is not available.

South Africa

Fruit production in South Africa is very dependent on the export sector. The amount of fruit grown for export has been steadily increasing since 1997. In 2003, over 38 percent of production was exported. In terms of quantity, fresh fruit exports from South Africa have also been increasing since 1997.

South Africa is a large exporter of fresh citrus fruit, including oranges, grapefruit, lemons and limes, and mandarins. Oranges are the top fresh fruit export from South Africa, followed by grapes and apples. South Africa is the third largest exporter of fresh oranges, and is the top exporter of fresh oranges from the southern hemisphere.

The EU is by far the largest importer of fresh fruit from South Africa. Russia, the United Arab Emirates, and Japan are also importers of fruit from South Africa. South Africa, due to its location, is more of a direct competitor with Australia and Chile than the United States.

The Department of Trade and Industry manages export promotion programs. The primary export enhancement program is the Export Marketing and Investment Assistance Scheme (EMIA), which has an annual budget of \$19 million. EMIA provides export market research and information, foreign direct investment promotion, and foreign exhibitions. It also provides assistance to industry-specific sectors and manages a special fund for small and medium-sized exporters.

An export guarantee program is also managed by the Department of Trade and Industry through the Export Credit Guarantee Scheme. This program provides export assistance to small and medium businesses that do not have access to working capital. The Export Credit and Insurance Corporation of South Africa also facilitates trade by backing bank loans and investments outside of South Africa in order to enable foreign buyers to purchase South African products. The Export Credit and Insurance Corporation had a budget of \$277 million in FY 2002/03.

Conclusion

While U.S. fresh fruit exports continue to increase in value and in quantity, the United States is slowly losing market share. Mexico seems to be the largest direct competitor with the United States. Mexico exports many similar products to the same primary markets as the United States. In particular Mexico is quickly increasing exports to Canada and Japan. The European Union, while a large exporter of some similar products as the United States, primarily exports to Eastern Europe and Russia, which are not large markets for the United States. Although Mexico and the EU are significant competition for U.S. fresh fruit exports, they are important trading partners with the United States. China is beginning to gain importance in the fresh fruit export market, as exports begin to increase rapidly. China may pose a significant threat as it begins to gain market share. However, China currently holds around a 3-percent share of the total global export market. Southern hemisphere countries provide indirect competition with the United States due to different marketing years. Exports from Chile and South Africa are increasing rapidly and these countries are gaining market share in many of the largest fresh fruit markets, such as the EU and United States.

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